

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 96 - HB 94

March 12, 2014

SUMMARY OF ORIGINAL BILL: Requires insurance providers to provide a written notice within 30 days when an insurance policy for real or personal property is denied initial or renewal coverage. Prohibits an insurance provider from cancelling a policy if coverage has been in effect for more than 60 days or if the date of denial is after the effective date of a renewal policy, or if the cancellation is based on one of the following:

- nonpayment of premium;
- the discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in either: obtaining the policy; continuing the policy; presenting a claim under the policy.
- the discovery of willful or reckless acts or omissions by the named insured which increase any hazard insured against;
- the occurrence of a change in the risk which substantially increases any hazard insured against after insurance coverage has been issued or renewed;
- a violation of any local or state fire, health, safety, building, or construction regulation or ordinance with respect to any insured property or the occupancy thereof which substantially increases any hazard insured against;
- a determination by the Commissioner of the Department of Commerce and Insurance that the continuation of the policy would place the insurance provider in violation of the insurance laws of the state; or
- real property taxes owed on the insured property have been delinquent for two or more years and remain delinquent at the time notice of cancellation is issued.

If an insurance provider does not intend to renew a property insurance policy, such provider must deliver a mailed notice of such intention at least 30 days prior to the expiration of the policy. The insurance provider will hold no liability nor shall any action of any nature arise against the provider as to the reason for nonrenewal. If an insurance provider doesn't properly provide a notice, the policy in question will be considered renewed until the policy holder has either accepted replacement coverage with another insurance provider or decided to not renew. Prohibits an insurance provider from refusing to renew a policy based solely on an inquiry by the insured regarding a property insurance policy or a loss under such policy. An insurance provider is authorized to not renew a policy if either a claim asserted against a policy demonstrates a substantial change or increase in the hazard or risk assumed by the insurance provider, and such nonrenewal is applied to other similarly situated properties, or if the policy holder has refused or failed to make objectively necessary changes or repairs after being notified by the provider that a failure to make such changes or repairs will constitute a breach of contractual duties, conditions, or warranties that will subsequently increase the hazard or risk assumed by the provider, since the date the policy was issued.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (014293): Deletes all language after the enacting clause. Prohibits an insurance provider from either increasing a premium of a policy of property insurance, or cancelling a policy of property insurance solely on the basis of an inquiry or inquiries by the insured regarding the property insurance policy or a loss under the policy. Requires the Department of Commerce and Insurance (DCI) to study whether homeowner's insurance policies issued in this state are subject to non-renewals solely on the basis of any inquiry, as defined by this act, regarding the homeowner's insurance policy or a loss under the policy. DCI is required to report its findings to the Senate Commerce and Labor Committee and the Insurance and Banking Committee of the House of Representatives on or before January 15, 2015.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- According to DCI, any increase in investigatory duties associated with increased complaints and inquiries can be accommodated within existing resources.
- DCI can conduct the required study within existing resources.
- It is estimated that this bill will have no significant fiscal impact on state or local government.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- The provisions of the bill as amended will prohibit the increase of premiums or cancelations of property insurance policies in certain circumstances which could have an impact to insurance companies and policy holders.
- It is unknown how often premiums are increased or policies are cancelled due to the criteria included in the bill as amended; however, it is assumed that on a statewide basis, the net fiscal effect on insurance companies and policy holders is not significant.
- This will have no significant impact upon commerce or jobs in this state.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb